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SME Competitiveness:
Sunlover and its Internationalization to Germany

Linda Antonia Milbradt # 1015

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with the supervision of:

Professor Sónia Dahab

Professor Filipe Castro Soeiro

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Abstract

The paper studies the internationalization process of Sunlover to Germany. The market opportunity in Germany is driven by several factors including the increasing importance of health and wellness, the still growing German economy despite the Eurozone crisis, the positive growth prospects for low-calorie and healthy drinks, and the early stage of the nutricosmetic drink segment. However, threats are composed by the continued risk of a Eurozone break-up scenario and its possibly negative consequences on the German economy, the dominant power of German food and beverage retailers, and the competition not only from international brands but also local players. In order to mitigate the threats and take advantage of the opportunities, licensing is recommended over indirect exporting as the optimal entry mode for the German market.

Key words: *German Functional Drinks Market, German Non-alcoholic Beverage Market, Licensing, Implementation Process of Licensing*

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1. Introduction

In recent decades, more and more companies have decided to operate internationally. However, when deciding to enter a foreign market, companies face considerable uncertainties. Those uncertainties include the unawareness of foreign regulations and legal requirements, the uncertainty about the size of demand and about the acceptance of the product by the local consumers (Conconi et al, 2012). Thus, understanding the foreign market beforehand and selecting the appropriate entry mode are critical success factors. The following work project develops an internationalization strategy for the Portuguese drink Sunlover to enter the German market. The first part presents the company and its product including its value chain and its competitive advantage. The second part is dedicated to the internationalization of the product to Germany and starts with an external scan of the German market leading to an identification of the key opportunities and threats. On this basis and in respect to Sunlover S.A.'s value chain, the two entry mode strategies exporting and licensing are discussed including an entry mode recommendation. In terms of this recommendation the implementation process as well as the implementation plan are described, leading to a final conclusion.

2. Sunlover S.A.

2.1. Description of the Firm and its Product

Sunlover, S.A. is a Portuguese company which was founded by Artur Tavares in 2011. Presently, the company has a capital share of €750,000 and the capital structure consists of the shares of Joaquim Lico (48.75%), Carlos Vasconcelos Cruz (28.75%), Pedro Baltazar (9.5%), Rui Alegre (9.5%), João Vaz Frade (2%) and Diogo Saraiva e Sousa (1.5%) (Dinheiro Vivo, 2012). Sunlover's holding company is Quantico and its current team is composed of Graça Medina (CEO) who is employed at Quantico, Hugo Fonseca (CFO), Rui Ventura (CMO), a marketing assistant and a sales manager.

Product. The product of the company is an orange-flavored nutricosmetic¹ drink called Sunlover, with zero calories, without gas, and which nourishes the skin from within (IMCB Consulting, 2011). According to the Marketing Director Rui Ventura², regular consumption preserves the skin from damage caused by UV radiation, pollution and cigarette smoke, preventing premature aging and wrinkles. The drink contains a mix of vitamins, beta-carotene, minerals, amino acids and antioxidants that are crucial for protecting the skin's structure and support the natural tanning process (IMCB Consulting, 2011).

For a detailed description of Sunlover's ingredients, see **Appendix I**.

Place. According to Dinheiro Vivo (2012), the drink is mainly sold in hotels, restaurants, and cafés (6000 points of sale), in supermarkets (750 points of sale) through a partnership with Jerónimo Martins Distribuição, and in Galp gas stations (400 points of sale). Besides that, Sunlover has 3 own point of sales at cafés on the beach and customers can order the drink online through the facebook fan page of the company².

Price. The drink is positioned in the premium segment as a healthy lifestyle drink with a recommended price of €1.90 for each 250ml can (Dinheiro Vivo, 2012). However, depending on the distribution channel the price can vary from a minimum of €1.50 in supermarkets to a maximum of €3 or €4 in cafés at the beach².

Promotion. The target group of the drink is mainly women (and men) between the age of 18 and 50. This group consists of women who like to have a trendy lifestyle and value their body image. In order to position Sunlover as a healthy lifestyle drink, the company considerably invests in its marketing activities which include TV campaigns, radio spots, print ads, sponsoring of sunset parties, surf championships (like the Rip Curl Peniche World Tour 2011), sailing and fashion events (like Vogue's fashion night out 2011 and 2012) and social media via its facebook fan page. In 2012, the company announced its investments of €1 million in marketing campaigns and a TV spot with the Portuguese actor and model Liliana Santos (See **Appendix II** for an illustration of two print ads). In addition, Sunlover has been named as the Product of the Year 2012 by Portuguese consumers².

¹ *Definition of nutricosmetic:* An ingestible product that is formulated and market specifically for beauty purpose (Kline & Company, 2008)

² Interview with Sunlover S.A.'s Marketing Director Rui Ventura conducted by Ana Barreto and me on October 9, 2012

See **Appendix III** for Sunlover S.A.'s Business Mission and Strategic Objectives.

2.2. Sunlover S.A.'s Value Chain

Sunlover's main responsibility is the marketing of the drink. The whole production of the drink is outsourced. The cans are produced in Recklinghausen, Germany by the can manufacturer Rexam and then transported to Spain, where the drink is filled by the Spanish company Inbesa. From Spain, the cans are directly transported to its distribution channels². The production costs per unit have not been disclosed by Sunlover S.A. However, according to a Sales and Marketing Director from Rexam production costs of the 250ml slim cans in Sunlover's layout account for €65.50 per 1000 cans and €15.5 per 1000 silver standard top covers, both plus value added taxes. In addition, transportation costs to Spain are at least €15 per 1000 cans. Thus, the production cost of each aluminum can amount to at least €0.096 per unit including its transportation to Spain but excluding the cost charged by Inbesa, its transportation cost to Portugal and value added taxes. Besides that, Jerónimo Martins Distribuição earns half of the final selling price of €1.50 according to Marketing Director Rui Ventura. Hence, it can be assumed that Sunlover sells each can for 0.75 cents to Jerónimo Martins Distribuição. Currently, Sunlover has a negative profit margin but expects to reach breakeven in 2013². No further financial information has been made public. Besides marketing, Sunlover is in charge of its human resource management, its firm infrastructure, its online sales via facebook and its 3 own point of sales. Product development as well is outsourced to a biotechnical company which developed the current formula of the drink and is presently in charge of developing an anti-aging drink containing Collagen and Q10².

See **Appendix IV** for an illustration of Sunlover S.A.'s Value Chain and a description of Sunlover S.A.'s Industry Map.

2.3. The Competitive Advantage of Sunlover S.A. – The VRIO Framework

According to Barney and Hesterly (2005) the VRIO Framework is a tool to identify if a company has a sustainable competitive advantage. It evaluates if a resource is valuable, rare, costly to imitate and organized. The competitive implications depend on how the resource is evaluated according to those mentioned characteristics and range from “disadvantage” to “parity” to “temporary advantage” to “sustainable advantage”. See **Appendix V** for the exact evaluation table.

In respect to Sunlover S.A., the resource is the unique recipe of the drink. The recipe of the drink is valuable since it represents the opportunity to penetrate a new niche market, the nutricosmetic market. It is rare since there is no other nutricosmetic drink with the same characteristics on the Portuguese market. In addition, it would be costly to imitate the drink since Sunlover S.A. holds a trade secret. An imitator would need to invest in research and development to develop the same or a similar formula. Finally, the company is organized in order to exploit this opportunity. This can be seen by Sunlover S.A.’s well organized supply chain and the outsourcing to competent partners. Thus, Sunlover owns a sustainable competitive advantage.

See **Appendix VI** for the External Scanning of the Portuguese Market.

2.3. Sunlover S.A.’s SWOT Analysis

The following table summarizes Sunlover S.A.’s internal strengths and weaknesses. For the external opportunities and threats of the Portuguese market, see **Appendix VI d**).

Figure 1: Sunlover S.A.’s SWOT Analysis

Strengths	Weaknesses
<ul style="list-style-type: none">• Formula is a trade secret• Attractive design of the can• Innovative marketing• Shareholders’ networks• Partnerships with experienced suppliers	<ul style="list-style-type: none">• No distinctive taste• Credibility problem• Lack of brand awareness• Seasonality of the product• Limited budget

Source: Own Representation

3. Internationalization

3.1. Criteria for Country Selection

In Northern Europe and especially in Germany, a tanned skin is often associated with beauty and health. However, sun and tanning opportunities are rare in Germany. The drink Sunlover would provide German consumers with the opportunity to make an optimal use of the limited sun in terms of tanning. In addition, Sunlover is healthy and is suitable to an increasing trend of health and wellness in Germany. According to Euromonitor (2011), the German nutricosmetic market belonged to the highest actual growth markets between 2006 and 2010 with a market value of US\$96 million. The percentile increase in value from 2006 to 2010 was 279% (Euromonitor, 2011). Although this data only includes beauty supplements, it shows the potential of the nutricosmetic segment in Germany. Presently, there is no nutricosmetic drink on the German market. Sunlover could profit from being one of the first companies penetrating this segment. Besides that, Germany is the largest economy in Europe and although most of Europe is in a recession, Germany still has a positive growth providing Germans consumers with the economic means to buy premium products such as Sunlover.

3.2. External Scanning of the German Market

3.2.1. PESTEL Analysis of Germany

For the political, technological, environmental and legal context, see **Appendix VII**.

Economic Context. Germany is the largest economy in Europe and the 4th largest economy in the world in terms of GDP. Although most of the European countries are in an economic recession and Germany was hit by the financial crisis in 2009, the country benefitted from a positive economic growth of 3% in 2011 leading to a GDP of €2592,6 billions by the end of the year 2011 (German Federal Bureau of Statistics, 2012). Although economic forecasts for Germany have been promising in the beginning of 2012, they have been downgraded in October 2012. The International Monetary Fund (IMF) expects the German economy to grow at 0.9% in the years 2012 and 2013, respectively (IMF, 2012). Historically, Germany has a low and stable

inflation around 2%. The unemployment rate in August 2012 was 6.5% and is decreasing since 2006 except for the financial crisis year in 2009 (German Federal Bureau of Statistics, 2012). Although Germany has more favorable growth prospects than most of the European member states, its economic outlook remains uncertain due to the continued risk of a Eurozone break-up scenario (BMI Industry View, 2012).

On average, German households has spent €306 on consumption each months in 2011 (German Federal Bureau of Statistics, 2012). BMI Industry View (2012) forecasts that the per capita food consumption will increase by 2.6% in 2012. Despite the uncertainty of the Eurozone's future, German Consumer Confidence has gradually improved since 2010 and helped to increase retail sales since 2010. However, the policy uncertainty in respect to the troubled Eurozone might enforce expectations among German consumers that the tax burden of future bail outs through the European Stability Mechanism will raise, decreasing household's consumption. In addition, consumers might increasingly feel the weakening of the Euro, further diminishing Consumer Confidence (BMI Industry View, 2012). Hence, Sunlover S.A. must consider the risks the European crisis might bear on its sales as well as the consequences on the German economy and its consumption level.

Social Context. The megatrend of wellness and health is particular present in Germany. Due to an aging population and a young generation concerned with consuming lighter foods, the demand for healthier food is growing. Consumers increasingly realize the importance of maintaining their physical and mental health and preventing illnesses (Agriculture and Agri-Food Canada, 2010). Those consumers are willing to pay premium prices for healthy food options (BMI Industry View, 2012). This has been driving sales of wellness-linked foods such as natural products, organics and nutraceuticals³ (Agriculture and Agri-Food Canada, 2010). Thus, the product Sunlover is well placed to respond to the megatrend of wellness and health in Germany and the growing demand for healthy products.

³ Definition nutraceutical: A food (or part of a food) that provides medical or health benefits, including the prevention and/or treatment of a disease (Brower, 1998)

3.2.2. The German Non-alcoholic Beverage Market

As a nutricosmetic drink supporting the tanning process and the nourishment of the skin, Sunlover might belong to several markets. As a non-alcoholic drink it pertains to the non-alcoholic beverage market. By beneficially affecting the consumer's body, beyond adequate nutritional effects, in a way which is relevant to an improved well-being (European Commission, 2000) it is affiliated in the functional drink market. As an ingestible product that is formulated and marketed specifically for beauty purpose (Kline & Company, 2008), it is included in the market of nutricosmetics as well. By enhancing the tanning process it forms part of the market of tanning products. However, the nutricosmetic market mainly consists of dietary supplements sold in pharmacies. The nutricosmetic drink market is still too small to evaluate but nutricosmetic drinks can be positioned in the functional drinks market as well. However, as section 3.2.4 will describe, Sunlover S.A. does not only face competition from functional drinks but as well from drinks of the non-alcoholic beverage market. Therefore, it was decided to define Sunlover S.A.'s market as the non-alcoholic beverage market including functional drinks. For a graphical illustration of Sunlover S.A.'s interaction with several markets, see **Appendix VIII**.

Market Definition. The German non-alcoholic beverage market includes all non-alcoholic beverages available on the market. It can be divided into the three segments mineral water, soft drinks and fruit juices. The market is valued by retail selling price (Axel Springer AG, 2011).

Market Value. In 2011, non-alcoholic beverages generated revenues of €11.15 billion, an increase of 5.5% compared to 2010 (Getränkeindustrie, 2012). From 2006 to 2010 the compound annual growth rate (CAGR) was 2.54% with a negative growth of 0.3% in 2009 (Getränkeindustrie, 2011). In the last 10 years, the German consumption of non-alcoholic beverage has steadily increased. Mineral water is the most favored non-alcoholic beverage in Germany, followed by soft drinks and fruit juices (Axel Springer AG, 2011).

The Mineral Water Segment. In 2010, the mineral water segment generated revenues of €3.23 billion (Getränkeindustrie, 2011). Consumers could choose from a range of 500 mineral waters and 50 healing waters

including brands and private label brands. The highest market share in the mineral water segment had mineral water containing carbon dioxide possessing 87% of the market (Axel Springer AG, 2011).

The Soft Drink Segment. The soft drink segment has especially increased its revenues. From 2009 to 2010, revenues grew by 10.1% and reached €5.44 billion in 2010 (Getränkeindustrie, 2011). However, not only the revenues increased but also the range of product offer, especially in the low-calorie drinks, sport drinks and energy drink segment. Consumers can profit from constant innovation, particular from an increasing offer of exotic flavors. While the segment of Cola drinks is stagnating, especially the segments of low-calorie drinks, healthy soft drinks and energy drinks are growing (Axel Springer AG, 2011).

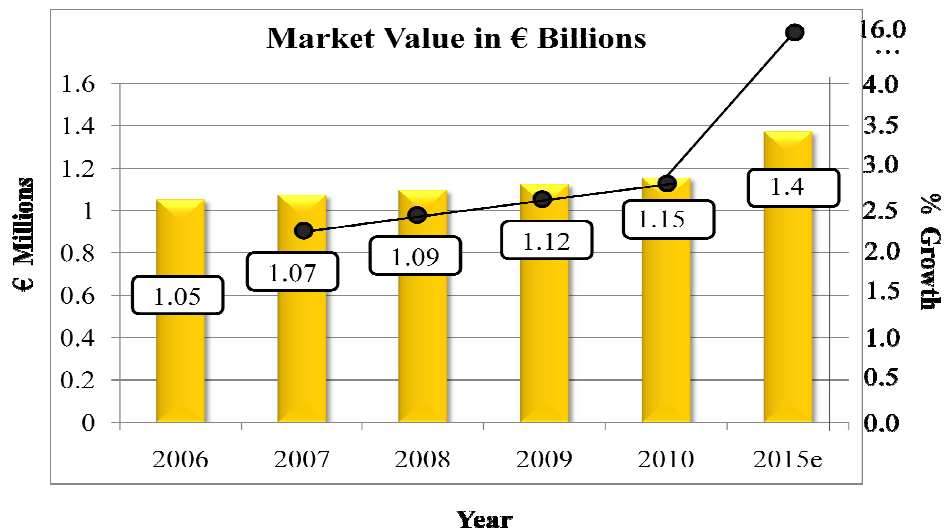
The Fruit Juice Segment. Contrary to the soft drink segment, the revenues of fruit juices decrease by 0.9% to €1.87 billion in 2010 (Getränkeindustrie, 2011). The reasons can be found at one hand in the increased competition from other segments, particular from the low-calorie drinks, on the other hand in the increased price for fruits which results from crop failure and increased usage of agricultural crop land for bio fuel leading to a higher retail price (Axel Springer AG, 2011).

3.2.2.1. The German Functional Drinks Market

Market Definition. The functional drinks market is a subcategory of the soft drink segment and is defined as the retail sale of energy drinks, sport drinks and nutraceutical drinks. The market is valued by the retail selling price (Data Monitor, 2011).

Market Value. In 2010, functional drinks generated total revenues of €1.2 billion leading to CAGR of 2.4% between 2006 and 2010. However, until 2015 the market is forecasted to accelerate and to reach a market value of €1.37 billion representing a CAGR of 3.3% between 2011 and 2015 (Data Monitor, 2011).

Figure 2: Market Value of the German Functional Drinks Market in € Billion



Source: Own Representation according to Data Monitor, 2011

Market Segmentation I. The market can be divided into three segments: energy drinks, sport drinks, and nutraceutical drinks. The largest segment in Germany is the sports drinks segment representing a market share of 38.4%, followed by the energy drinks, and nutraceutical drinks segment with market shares of 31.1% and 30.5%, respectively (Data Monitor, 2011). Energy drinks present the highest growth segment. The segment generated revenues of €287.4 million in 2010 representing a growth of 30.3% to the preceding year (Getränkeindustrie, 2011).

Market Segmentation II. Germany accounts for 14.1% of the European functional drinks market and hence is the second largest market in Europe after the UK which holds 28.3% of the functional drink market. In comparison, Portugal accounts for 0.8% of the European market (Data Monitor, 2011).

Market Shares. The leading player is PepsiCo Inc. owning a market share of 23.3% followed by Red Bull GmbH and the Coca Cola Company with market shares of 7.4% and 4.5%, respectively. The remaining 68.4% of the market is shared by smaller companies. Hence, the German functional drinks market is fragmented (Data Monitor, 2011).

In summary, Germany is the second largest market for functional drinks in Europe. Although recent growth of the non-alcoholic beverage market and the functional drinks market is rather modest, future growth prospects are more promising. Besides energy drinks, low-calorie as well as healthy soft drinks have especially positive growth forecasts. In addition, the nutricosmetic drink segment is still underdeveloped. All those aspects present opportunities for Sunlover S.A. in the German market.

3.2.3. Porter's Five Forces for the German Functional Drinks Market

Buyer Power. Supermarkets and hypermarkets are the main distribution channel for functional drinks in Germany, accounting for about 41.6% of the total market value (Data Monitor, 2011). In addition, on-trade sales are an important channel as well. The German food and beverage retail market is highly concentrated enabling retailers to have a strong bargaining position and demand so-called list prices from manufacturers for products sold in their stores (BMI Industry View, 2012). In addition, switching costs for retailers are low. Comparatively, the on-trade segment is more fragmented diminishing buyer power to some extent. Consumer demand for functional beverage driven by the increasing trend of health and wellness motivates retailers to stock some functional drinks and further weakens buyer. Product differentiation is high, apparent in terms of various flavors and nutritional benefits which as well reduce buyer power. However, some retailers have integrated backward and produce private label functional drinks, particular energy drinks which again strengthens buyer power (Data Monitor, 2011). With a retail segment exerting rather high buyer power and an on-trade segment possessing a rather low buyer power, the overall buyer power is evaluated as moderate.

Supplier Power. Suppliers are those companies supplying ingredients and equipment necessary for the production of functional drinks. Ingredients entail fruit, milk, sugar, caffeine, herbal extracts and other ingredients such as taurine, glucuronolactone, guarana, electrolytes, aspartame and vitamins. Fresh ingredients such as fruit and milk are mainly supplied by farmers. Those farmers usually have a small size compared to manufacturers which diminishes supplier power. Some ingredients are only available from one or two suppliers but usually substitutes exist (such as saccharine in the case of aspartame) balancing the supplier power in this

case. Another crucial part is the packaging of the product. Due to the fact that many manufacturers conclude long-term contracts with packaging suppliers, supplier power is reinforced. In addition, advertisement agencies are another crucial supplier to functional drink manufacturers since a strong brand image is a critical success factor in the market (Data Monitor, 2011). Recapitulatory, supplier power can be determined as moderate.

Threat of New Entrants. The overall slow growth of functional drinks in recent years might demotivate new companies to enter the market. However, future growth prospects and especially the growth of the energy segment could encourage entry. There are two possibilities entering the functional drinks market: either as an already company diversifying in the market or as a small startup. Soft drink producers do not face high entry barriers on the functional drinks market. They only require little investment in new equipment. In addition, they usually are able to profit from economies of scale and scope due to their size. Furthermore, they possess an already established network of distribution channels. Finally, they have the financial means to invest in brand building and advertisement, a critical success factor in this market. Entry barriers for entirely new companies and startups are much higher since considerable investment in product development, production facilities, and advertisement is required. Besides that, gaining access to supermarket channels is rather difficult involving a good business network and additional investment (Data Monitor, 2011). While the threat of entry from already existing soft drink manufacturers is high, it is low from new companies and hence can be assessed as moderate.

Rivalry. The German functional drinks market is fragmented with the major three players possessing 35.1% of the market. While some players in the market, such as Red Bull, solely concentrate on functional drinks, they encounter growing competitive pressure from large scale drinks producers such as Coca Cola and Pepsi. The rivalry among them is usually high and they determine the average price in the market while the smaller players follow. Although the diversity and differentiation of the functional drinks are high which decreases rivalry, the extensive advertisement expenditure simultaneously amplifies rivalry. The exit costs depend on the extent to which production is outsourced to third parties. The more business functions are outsourced, the smaller are exit costs. Fixed costs are high as well as research and development costs regarding the

development of new functional drinks and its testing of health benefits (Data Monitor, 2011). With high rivalry among the major players and medium rivalry among the smaller player, overall rivalry is evaluated as moderate to high.

Threat of Substitutes. Substitutes for the functional drinks market can be defined as a range of products providing a similar nutritional content to consumers (Data Monitor, 2011). In respect to Sunlover, beta carotene tanning pills might provide a similar nutritional content. However, since there is no product on the market which is a substitute for all of Sunlover's characteristics simultaneously, the threat of substitutes is rather low.

According to Porter (2008) the five forces characterize an industry structure, define the nature of competition and hence determine an industry's attractiveness. The fact that the functional drinks market is characterized by moderate supplier and buyer power, moderate threat of entry and low threat of substitutes in the case of Sunlover might indicate that the industry is rather attractive. However, the strong buyer power of German food and beverage retailers, the high rivalry among the major players as well as the low entry barriers for existing soft drink producers might squeeze profitability in the market.

3.2.4. Possible Competitors of Sunlover S.A.

As a healthy lifestyle drink supporting the tanning process of the skin, Sunlover S.A. would compete with different players depending on its function regarded. However, a comparable drink does not exist and thus Sunlover does not face any direct competition in Germany.

The Tanning Function. The enhancement of tanning is Sunlover's most remarkable characteristic. Regarding this characteristic, the drink Sunlover would compete with other products that enhance tanning such as tanning pills, solarium and self-tan lotion. On the German market, tanning pills mainly are "InnéovSensibilitéSolaire" from the collaboration of L'Oréal and Nestlé or "Sonne" from Oenobiol. Contrary to the Portuguese market, the use of solarium is much more common in Germany. A research about the usage of solariums in Germany revealed that 10% of the questioned people regularly use the solarium and 26.6% has already tried it at least once (Statista, 2008). Although many campaigns exist stressing the immense risk of

cancer caused by solariums, it is still used and its tanning effect can be directly observed on the consumer's skin.

The Lifestyle Drink Function. Indirect competitors in terms of lifestyle drinks would be energy drinks. The leading player in this segment is the Red Bull energy drink, followed by Coca Cola's energy drink Relentless (Axel Springer AG, 2011). Other international players would be the American energy drinks Monster and Rockstar and the Luxembourgian one Schwarze Dose.

An energy drink which increased its popularity in recent years is the local energy drink Club-Mate which is produced from mate tea and provides a healthier alternative to other energy drinks. It has become a trendy drink which is consumed during the day as well as during the night in combination with alcoholic drinks.

Besides energy drinks, biological lemonades are also regarded as lifestyle drinks in Germany. While this segment was decreasing in recent years, its revenues increased in the first half of 2011 by 19.3% (Axel Springer AG, 2011). One major player in this segment is the local biological lemonade Bionade which consists only of biological ingredients. Bionade is the 4th most popular soft drink in Germany (BMI Industry View, 2011). Another popular player in this segment is the drink Carpe Diem Kombucha, a lemonade based on herbal tea.

The Healthy Drink Function. Regarding the healthy drinks segment, Sunlover would compete with natural juices containing anti-oxidants like MySmoothies or TrueFruit but also with functional waters like Ganix Water. (For a positioning map of Sunlover in comparison to its competitors, see **Appendix IX**).

3.2.5. Consumer Research in Germany

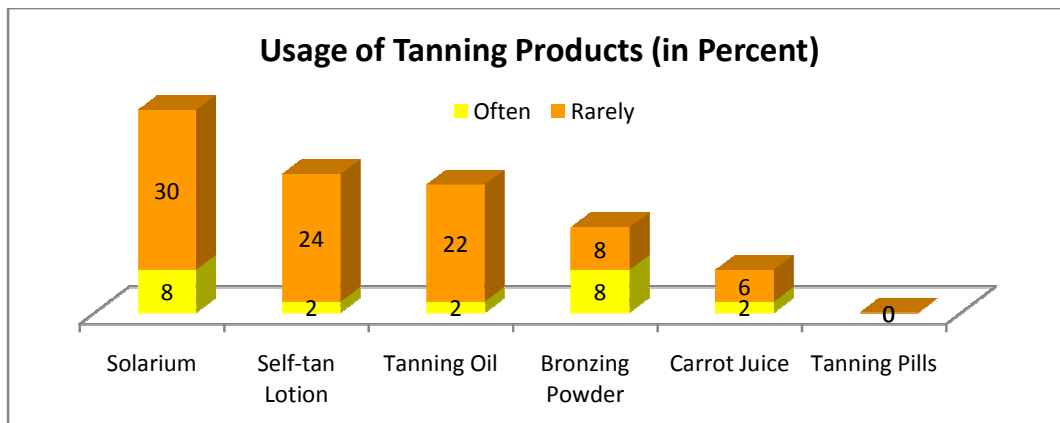
Quantitative Survey. In order to find out about the consumer behavior in Germany and if Sunlover would provide value to German consumers, a quantitative research was conducted with 100 Germans ranging from the age of 20 to 49. The survey was distributed online via email and facebook. Men represent 52% of the respondents and women 48%. The survey consisted of three parts. While the first part of the survey aimed at finding out about the consumer behavior regarding the value of tanned skin and the usage of products that

enhance tanning, the second part focused on the usage of lifestyle drinks and healthy drinks. In addition, the third part concentrated on how respondents would value Sunlover. See **Appendix X** for the entire survey, a complete analysis and its limitations.

Value of Tanned Skin. 90% of the respondents find healthy tanned skin rather or very attractive and 88% evaluated healthy tanned skin more attractive than white skin. Hence, one could assume that Germans evaluate tanned skin as attractive.

Usage of Tanning Product. Most frequently solarium (38%) is used, followed by self-tan lotion (26%) and tanning oil (24%). Only a few of the respondents use bronzing powder (16%) and carrot juice (8%). No one indicated to use tanning pills. Thus, tanning pills are probably not very used by German consumers. However, increased indirect competition could arise from solarium and self-tanning lotions.

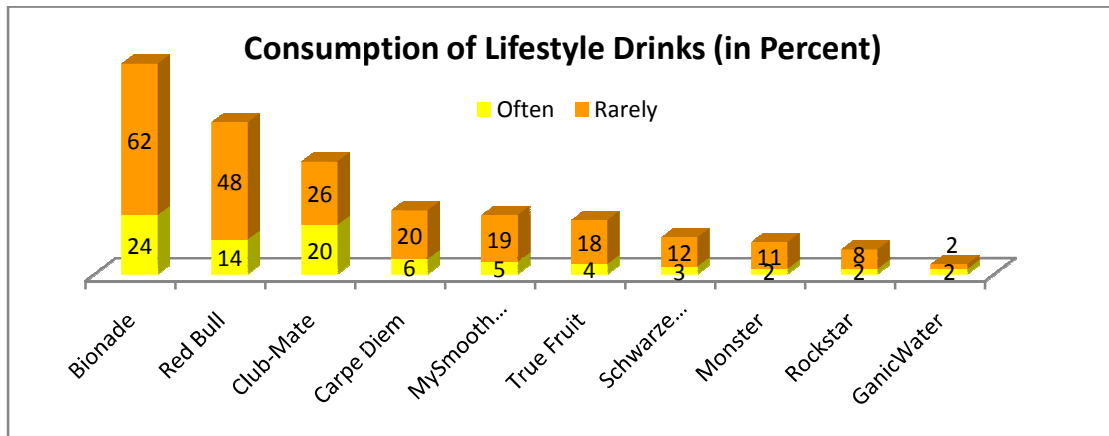
Figure 3: Usage of Tanning Products (in Percent)



Source: Own Representation

Lifestyle and Healthy Drinks. Most frequently the biological lemonade Bionade is consumed among the respondents: 86% of the respondents indicated to drink it often or rarely, followed by Red Bull with 62% and Club Mate with 46%. Other drinks consumed by over 20% of the respondents often or rarely are Carpe Diem Kombucha (26%), MySmoothies (24%) and TrueFruit (22%). The other energy drinks Monster Energy, Schwarze Dose and Rockstar Energy are consumed by less than 20% and the functional water Ganix Water is only consumed by 4%.

Figure 4: Consumption of Lifestyle Drinks (in Percent)

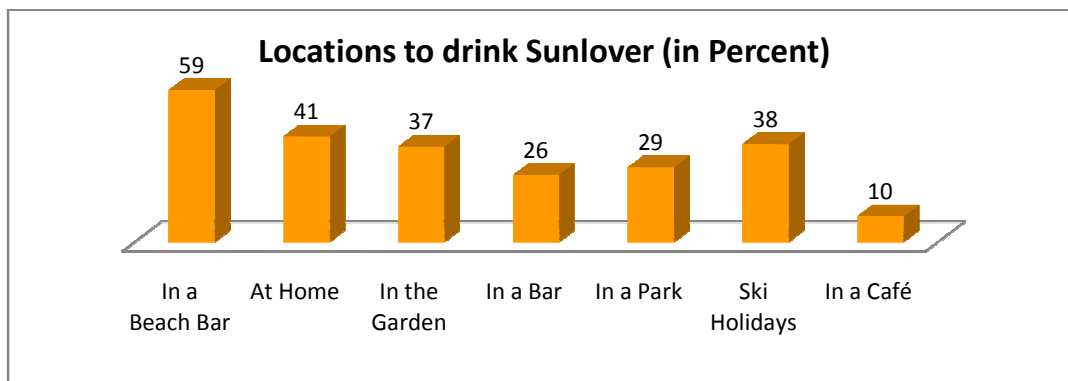


Source: Own Representation

Thus, regarding lifestyle and healthy drinks, Sunlover would probably mainly face competition from the energy drinks Red Bull, Club Mate, Schwarze Dose, and Monster, the healthy lemonades Bionade and Carpe Diem Kombucha, and the natural fruit juices MySmoothies and TrueFruit.

Sunlover's Value to German Consumers. Among the respondents, 67% could imagine to drink a drink with the characteristics of Sunlover. The respondents would value the most that the drink is healthy, followed by the ability to nourish the skin, the tanning function and finally the zero calories. Regarding the location to drink Sunlover, 59% could imagine to drink it in a beach bar, 41% at home, 38% in ski holidays, 37% in the garden, over 20% in a bar and in a park. Only 10% could imagine drinking it in a café.

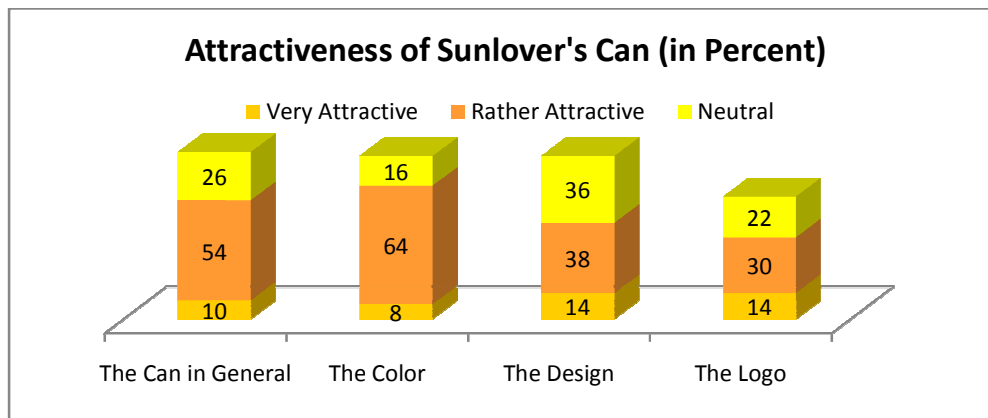
Figure 5: Locations to Drink Sunlover (in Percent)



Source: Own Representation

Reasons for the respondents not to drink Sunlover would be the perception that the drink includes chemical ingredients, has a high price, has negative health consequences, the disbelief in its tanning and health effect or an unpleasant taste. The associations to the word Sunlover were mainly positive entailing words like sun, holidays, tanned skin, sunbather, fun, ocean, and love. Regarding the appearance of the can, 64% rated the can in general as rather or very attractive. While 72% of the respondents evaluated the color of the can as rather or very attractive, 52% found the same in respect to the can's design and 44% regarding Sunlover's logo. Hence, the can's overall appearance is regarded as attractive by the majority of the respondents.

Figure 6: Attractiveness of Sunlover's Can (in Percent)



Source: Own Representation

The survey results indicate that Sunlover could provide additional value to German consumers. Sunlover's characteristics as well as outward appearance were generally evaluated as positive. A remarkable insight was that the fact that Sunlover is healthy and nourish the skin is regarded as more important than the tanning support.

The Taste Test. In addition to the quantitative survey, a taste test was conducted with 30 Germans between the age of 23 and 27. For the exact procedure, the entire results and the limitations, see **Appendix X**. Overall the product was evaluated as rather good or good by 70% of the respondents. The majority (60%) evaluated Sunlover's taste as good or rather good. However, 73% commented that the drinks lacks carbon dioxide. The drink's aroma was mainly assessed as neutral by 80% of the respondents. Only 30% evaluated the visual

appearance of the drink as rather good or good. Most of the respondents (77%) found Sunlover's color too artificially orange.

3.2.6. Sunlover S.A.'s Threats and Opportunities in the German market

The following table summarizes the threats and opportunities Sunlover S.A. faces in the German market.

Figure 6: Threats and Opportunities in the German Market

Threats
<ul style="list-style-type: none"> • The Euro crisis and the continued risk of a Eurozone break-up and its possibly negative effect on the German economy and hence household consumption • Slow growth of the non-alcoholic beverage and functional drinks market in recent years • Competition not only from international player but also from local drink manufacturers like Club-Mate and Bionade • The dominant power of food and beverage retailers pressing margins of drink manufactures down and making it difficult to access those distribution channels
Opportunities
<ul style="list-style-type: none"> • The megatrend health and wellness and the fact that German consumers are prepared to pay for high quality goods and product innovations including health wellness and functional foods • Germany is the largest economy in Europe and the second largest market for functional drinks • Positive future growth forecasts for functional drinks and soft drinks, especially in the low-calorie and healthy drink segment • The nutricosmetic drink segment is still in the early stages in Germany and Sunlover S.A. can be one of the first companies penetrating this segment • The positive reaction of German consumers to Sunlover in a first consumer research

Source: Own Representation

3.3. The Entry Mode Recommendation

Having decided to enter the German market, Sunlover S.A. has to determine the appropriate entry mode to organize its business activity in Germany. Among the alternatives Sunlover S.A. can choose between exporting, licensing, a joint venture, or a wholly owned subsidiary. Each of those entry modes has different implication for the degree of control that Sunlover S.A. can exert over the German operation, the resources it must commit, and the risks it must bear. The choice of the entry mode is a critical determinant of the success of Sunlover S.A.'s operation in Germany. Since Sunlover S.A. is a startup, it has only limited financial resources.

Besides that, Sunlover S.A. has to ascertain that its entry mode choice strategically fits to its value chain and that it keeps its secret recipe formula since this assures its competitive advantage. A joint venture as well as a subsidiary require substantial financial investments and hence can be already excluded from the discussion.

Exporting. Exporting is defined as selling domestically produced products in foreign markets through brokers or overseas distribution channels. One of the advantages is the low risk involved since only little investment and management responsibility are required. Additionally, market access and exit is easy (Deresky, 2008). However, through exporting the control over marketing activities is limited as well. In general, it can be distinguished between direct and indirect exports. Direct exporting involves selling directly to the host countries distribution channels. The advantage is that the exporting company keeps the control. However, in order to exploit the opportunity in the host country it needs to understand the foreign market and should have experience in dealing with foreign clients. Indirect exporting occurs when the exporting firm exports through intermediaries like commission agents, export management companies and export trading companies (Holt, 1998). Since for exporting only limited resources are needed, this might be an option for Sunlover S.A. at the first sight. However, direct exporting would require experience and contacts in Germany which Sunlover S.A. does not possess. Besides that, gaining direct access to German distribution channels like supermarkets or gas station is very difficult for an unknown company with limited resources. In general, German supermarkets and gas station chains request a so called list price and only accept new products if there is sufficient demand or if high list prices are paid. Both criteria cannot be fulfilled by Sunlover S.A. In respect to indirect exporting, Sunlover S.A. could collaborate with an intermediary company. However, this would also entail that the control Sunlover S.A. has about the marketing of its product depends on the contract terms it can enforce. Besides that, intermediary companies usually sell different product lines from various companies. This first bears the risk that the intermediary might lose focus of selling Sunlover since he is responsible for several products and second that he might not have the necessary experience in the German beverage industry. In addition, indirect exporting does not present an optimal fit to Sunlover S.A.'s value chain. Since the cans are

produced in Germany, and then filled in Spain, they would need to be transported back to Germany which entails additional transportation costs. Changing the bottler to Germany includes revealing the trade secret to another party and is not an option. Although Rexam has several production facilities in Europe, only the one in Recklinghausen, Germany is the closest production facility to Spain which can manufacture Sunlover's 250ml cans. The other major can producers in Europe, Crown BevCan EMEA, Ball Packaging Europe and Can-Pack do not have production facilities to produce Sunlover S.A.'s slim cans any closer to Spain (For an overview of the production facilities in Europe, see **Appendix XI**). Hence, indirect exporting is only feasible when a suitable intermediary company is found which has experience in the beverage industry and appropriate contract terms in respect to marketing are agreed on. However, additional transportation costs have to be paid.

Licensing: Licensing occurs if a firm contracts with other companies granting the licensees rights to produce or sell the firm's product (Dereksy, 2008). The agreements might include granting proprietary rights to use technology, patents, copyrights, or trademarks of specific goods and services. In return, a royalty is paid by the licensee. The licensee bears the risk and funds the business, necessary to do the business. Licensing is particular interesting for small companies that lack managerial or financial resources. The advantages are that licensing avoids direct investment in the foreign facilities and pitfalls in terms of custom duties, trade quotas, and export and import restrictions. However, licensing might also represent a lack of control since the licensor can control the foreign operation only to the degree that management can enforce contract terms. In reality, the foreign licensee often controls quality, marketing and services. Hence, a crucial disadvantage is the risk that the licensor can suffer from a damage to its reputation (Holt, 1998). In respect to Sunlover S.A., licensing could be an option since it does not require any direct investment. If Sunlover S.A. licenses the drink's powder, its sale and marketing to a German licensee, it can still keep its trade secret. Furthermore, by licensing the drink's powder, the drink would be produced by the licensee in Germany and no additional transportation costs as in the case of indirect exporting incur. Thus, licensing fits Sunlover S.A.'s current value chain. In addition, the fact that the drink is then produced in Germany might give the product higher credibility on the German market due to the

perception that products “made in Germany” have high quality standards. Moreover, by licensing Sunlover S.A. immediately receives revenue from the upfront payment of the licensing agreement. To ensure success in the German market, Sunlover S.A. should contract with a licensing partner who is a German drink producer or a company which has already experience on the beverage market. However, the extent to which Sunlover S.A. would be able to enforce contract terms, particular in terms of marketing, determines to which extent it can influence the German operation and is a critical success factor. Thus, licensing could be a favorable option for Sunlover S.A. to enter the German market.

The above discussion already indicates that licensing is the superior entry mode. Although both entry modes do not require substantial investment and assure that Sunlover S.A. maintains its trade secret, licensing is a superior fit to Sunlover S.A.’s value chain.

3.4. The Licensing Agreement - Perspectives

In the licensing agreement, Sunlover S.A. gives a licensee the right to sell the Sunlover drink and provides the licensee with the drink’s powder, marketing material and instructions.

The Licensee Perspective. As the beverage industry is a very competitive industry, there is considerable pressure to invent new products rapidly and cheaply. Just in 2011, there were 1960 new product innovation in the functional drink segment in Germany (Innova Market Insights, 2011). Hence, a licensee of Sunlover can profit from Sunlover S.A.’s innovative drink without engaging in any own R&D and product development costs. Besides that, the licensee would be able to enter a new market, the nutricosmetic market and could profit from being one of the first movers in this promising market.

The Licensor Perspective. Besides the already alleged advantages, through licensing Sunlover S.A. has the possibility to engage in a low risk market experimentation before undertaking a deeper commitment. In that way, Sunlover S.A. can deal with the risk of a continued European crisis and a potential euro zone breakup. However, if the German market proofs its potential, Sunlover S.A. might link its licensing agreement to other entry modes such as a joint venture. By finding a licensee that is already experience in the market, Sunlover

S.A. can profit from its knowledge about local competitors and German consumers as well as its business contacts to German distribution channels and hence face the threat of the dominant supermarket chains and local competitors.

3.5. The Implementation Process of Licensing

The implementation process starts with deciding on the appropriate time to enter the market (Welch et al, 2007). Since the usage of the drink Sunlover is related to the sun, spring or summer present a good time to enter. Depending on how fast a licensee is found, Sunlover S.A. should enter the German market either in spring/summer 2013 or 2014.

The second step involves finding a licensee. Usually this is achieved through personal networks of key staff, government-based networks and services, trade shows, internet-based sources, advertising and promotion in trade and business journals, magazines and newspaper, seminars and conferences, or external consultants (Welch et al, 2007). The research of Fu and Perkins (1995) revealed that the most important sources for finding a licensee are personal acquaintances, word of mouth, informal leads, and trade shows. Marx (1996) found that the industrial press plays a crucial role as well.

Since Sunlover S.A. does not have any business contacts in Germany, marketing the licensing agreement in trade journals and on trade shows of the beverage industry is recommended. Possible trade journals would be “drink Technology+Marketing”; “Getränke! Technologie & Marketing“, “Getränkeindustrie” and “Getränke Zeitung”. Possible trade shows could be the “drinktec” trade show in Munich and the “Food Ingredients Europe & Natural Ingredients” trade show in Frankfurt. Besides that, Sunlover S.A. could contact German drink producers which are already licensees of other drinks. Examples are Nordmann Quandt, die Mineralbrunnen AG, Radeberger, and Dr. Oetker.

Selection. If Sunlover S.A. has found possible licensees, it has to choose one among them. According to Welch et al. (2007) the selection of a licensee is the most critical step. As licensing contracts usually last a long time, a bad choice is detrimental for the foreign operation and premature termination of the contract could be

legally awkward. The success of the licensing contract depends on the long term relationship. When selecting a licensee, Sunlover S.A. should take into consideration the licensee's experience on the German beverage market, his business contacts, his access to German main supermarket chains and his marketing capabilities.

Negotiation. After having selected a licensee, Sunlover S.A. has to negotiate the contract terms. Sunlover S.A. has to take into account German business laws, cope with possible cultural differences and communication problems and regard German business etiquette (See **Appendix XII** for examples of German business etiquette). The negotiation phase is not only about determining the basis of the agreement, it also about starting to build the future relationship and usually takes 6 to 9 months (Welch et al. 2007).

Agreement. In the agreement itself it is not possible to cover all possible occurrences. Instead, it should be built a positive work relationship. Every licensee agreement differs from each other but in general they contain the content of **Appendix XIII**. The payment terms usually consists of an up-front lump sum and a royalty paid on sales. The royalty terms differ among industries and vary between 2 and 15%t (Welch et al, 2007). Since a major concern of the licensor is how to ensure performance and generate returns, every licensing agreement contains a minimum performance clause. This has to be dependent on the size and the business of the licensee.

Long-term Agreement and Agreement Completion. Many licensors downgrade the involvement after the agreement is signed. However, according to Welch et al. (2007) continuous cooperation is the key to long-term profitability. Thus, Sunlover S.A. has to ascertain to be committed to the licensee after the completion of the contract.

3.6. The Implementation Plan of Licensing

Men. In order to find an appropriate licensee, Sunlover S.A. has to assign an employee who will be responsible for it. In addition, this employee should also be the first contact person for the licensee and built the relationship after the agreement. Depending on the situation, it could be also necessary to involve a lawyer in the negotiation of the licensing contract.

Money. The process of finding a licensee involves advertisement costs in the magazines, as well as the costs related to trade shows such as the exhibition fees and travel costs. After having found a licensee additional cost could occur related to travel to Germany in order to negotiate the contract and lawyer costs. **Appendix XIV** shows an example of advertisements costs and trade show fees.

Minute. As already mentioned above, the best period to enter the German market would be in spring or summer. It is really difficult to give a realistic time table since it depends on how long Sunlover S.A. takes to find an appropriate licensee, how long the negotiation will last and on how quick the licensee could enter the German market. It is assumed that it is more realistic to enter the German market in spring 2014. **Appendix XIV** shows an overview of publish dates of trade magazines and dates of relevant trade shows.

Figure 6: Timetable of the Licensing Process

	Jan 13	Feb/ Mar	Apr/ May	Jun/ Jul	Aug/ Sep	Oct/ Nov	Dec	Jan 14	Feb	Mar/ Apr	...
Appointment of an employee											
Advertisement in Magazines											
Contacting Licensees											
Trade Shows											
Negotiations											
Licensing Agreement											
Post-Agreement Support											
Market Entry											

Source: Own Representation

Memo. In order to monitor the success of the licensing agreement and the operation in Germany, a memo with objectives, measurements, targets and initiatives is proposed in respect to the areas financial, costumer, internal and learning.

Figure 7: Memo

Strategic Themes	Objective	Measurement	Target	Initiative
Financial	Sales in Germany and revenues from licensing agreement	Sales volume	Depending on the licensee's size: 5 to 7 million cans each year, in the next 3 years	Licensing contract with German licensee, minimum performance clause, determine a fair but profitable royalty
Costumer	Brand awareness	Consumer research about brand awareness	40% of brand awareness in the next 3 years	Contract terms about marketing and promotional activities
Internal	Employee who is responsible for the licensing partner	Ability to find a licensee	Find a licensee by August/ September 2012	Appoint a talented employee
	Good relationship with the licensing partner	Continuous feedback surveys or conversations, own evaluation of the relationship	Establish an open and respectful relationship from the beginning	Fair contract negotiations, post-agreement support by an employee, create an open feedback culture
Learning	Experience in dealing with international partners, costumers and in expanding internationally	Success of licensing agreement	Achieve all targets above	Expand to Germany

Source: Own Representation

3.7. Further Recommendation regarding the Marketing Mix

Product. It is recommended that Sunlover S.A. should consider adapting the product to the taste of German consumers. The taste test indicated that German consumers might value the product more if it would contain carbon dioxide. In addition, the taste test revealed that German consumers might find the color of the drink too artificially orange and a change to a more natural tone could be beneficial. Of course, further consumer research is necessary here, as well as a detailed assessment of benefits and costs, and the decision which party of the licensing agreement would be in charge of those adaptations.

Promotion. The consumer research indicated that German consumers might regard the fact that Sunlover is a healthy drink and nourishes the skin as more important than the tanning function. It is recommended that the advertisement and promotion activities especially emphasize those two characteristics.

Place. It is suggested to promote and sell Sunlover at ski resorts as well. This could balance the seasonal effect of the product and account for increased sales in the winter season.

Price. It is advised to price the drink in line with current lifestyle drinks on the German market. The price of a 250ml Red Bull can varies between €1.19 and 1.99 in German supermarkets. Thus, Sunlover should be priced in the same range.

4. Conclusion

As a drink supporting the tanning process and the nourishment of the skin, Sunlover is the first nutricosmetic drink in Portugal. Since this market segment is still in its early stages in many countries, Sunlover S.A., through expanding internationally, has the opportunity to penetrate this segment as one of the first companies. Entering the German market hereby presents a valuable option. The German market opportunities include the increasing trend of health and wellness, the willingness of German consumers to pay premium prices for healthy food and beverages, the still growing German economy, and the growth prospects for functional drinks, especially low-calorie and healthy drinks. However, threats are composed of the Euro crisis which eventually might hit the German economy, the dominant position of German food and beverage retailers and strong competition from local brands. In order to mitigate those threats, licensing instead of indirect exporting is recommended. Although both entry modes are realizable by Sunlover S.A.'s limited financial resources and both assure that Sunlover S.A. maintains its trade secret, and thus its competitive advantage, licensing is a superior fit to Sunlover's S.A. outsourced value chain. The success of the licensing contract depends on the contract terms Sunlover S.A. can enforce, the licensee it chooses and especially on the relationships it builds with the licensee. By selecting a soft drink producer or a company already experienced in the German beverage market, Sunlover S.A. can face the market threats including the dominant retailers and the local competition. Additionally, licensing provides Sunlover S.A. with the opportunity to experience the German market at a low risk and expand its commitment if the Germany market proves its potential.

For Weaknesses and Limitations of the Work Project, see **Appendix XV**.

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Appendix

Appendix I: Sunlover's Technical Guide by IMCB Consulting

SUNLOVER contains the following active ingredients:

VITAMINS

VITAMIN B2 (riboflavin)

VITAMIN B3 (niacin)

VITAMIN B5 (pantothenic acid)

VITAMIN B6 (pyridoxine)

VITAMIN B12 (cobalamin)

FOLIC ACID

BIOTIN

VITAMIN C

BETA-CAROTENE

MINERALS

SELENIUM

COPPER

ZINC

ALPHA-LIPOIC ACID

SUNLOVER's formulation contains the following additives:

SUCRALOSE (sweetener) - E 955

CITRIC ACID (acidity regulator) - E 330

XANTHAN GUM (stabilizer) - E 415

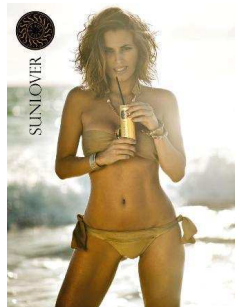
POTASSIUM SORBATE (preservative) - E 202

CARROT EXTRACT

ORANGE

Source: IMCB Consulting. 2011. SUNLOVER Technical Guides. <http://www.imcb-consulting.com/sunlover/sunlover.pdf> (accessed September 29, 2012)

Appendix II: Illustration of Sunlover's Print Ads



Appendix III: Sunlover S.A.'s Business Mission and Strategic Objectives

Perspective on Business Mission and Strategic Objectives

Sunlover S.A.'s mission can be described as “providing the trendy lifestyle consumer healthy drinks composed of vitamins, antioxidants and minerals which hydrate and nourish the skin, positioned as self-image enhancement and fashionable products”.

Sunlover S.A.'s vision is “to be the leading brand of nutricosmetic drinks in the world in 2017”.

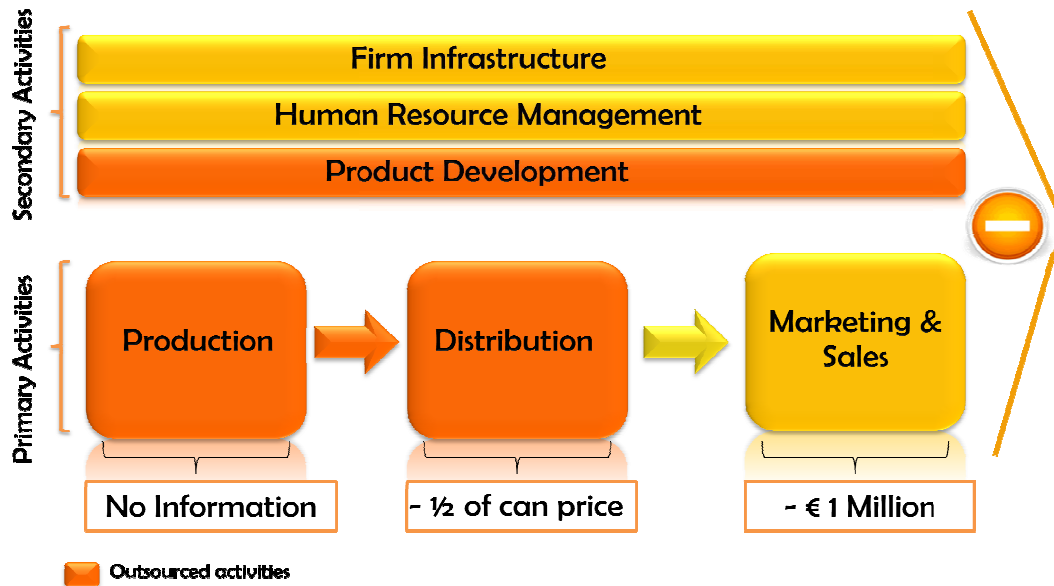
The strategic objectives in terms of sales are to sell 500.000 drinks in 2012. Initially, Sunlover had the goal to sell 3.5 million cans in 2012. However, due to a later than expected market entry in May 2012, the objective had to be downgraded to a more realistic goal of 500.000 cans. Sunlover S.A. has already reached this sales goal in late summer 2012. Other short-term strategic objectives involve reaching the breakeven point in 2013, to develop a new drink consisting of collagen and Q10 in 2013, and to internationalize in the next two years. According to Sunlover S.A.'s marketing manager Rui Ventura, Sunlover S.A. currently is negotiating its internationalization with partners in Brazil, Colombia, Venezuela, Mexico, Germany, Italy, Spain and the Middle East. However, no contract has been signed so far.

Source: Interview with Sunlover's Marketing Director Rui Ventura conducted by Ana Barreto and me on October 9, 2012.

Appendix IV: Sunlover S.A.'s Value Chain and Industry Map

a) Sunlover S.A.'s Value Chain

Figure Appendix III: Sunlover S.A.'s Value Chain



Source: Own Representation

b) Sunlover S.A.'s Industry Map

The following industry map shows the agents Sunlover S.A. is interacting with. Besides the already mentioned can and drink supplier, Sunlover interacted with the consulting company IMCB who was concerned with the approval of the regulators “Autoridade de Seguranca Alimentar e Económica” (ASAE) and the European Food Safety Authority (EFSA). The consulting company MyBrand developed the brand of Sunlover. Besides that, Sunlover S.A. interacts with possible future investors and the media through its marketing. In addition, Sunlover S.A. is in contact with all of its distribution channels. As already mentioned, Sunlover S.A. interacts with supermarkets through a partnership with Jeronimo Martins Distribuição. The “HoReCa” channel is reached through a partnership with Unilever’s sales people of the ice-cream brand Olá. Other distribution channels include facebook where customer can order online and Sunlover S.A.’s 3 own point of sales. The relationships to suppliers as well as

distribution channels are characterized by reciprocal relationships arrows since they profit from continuous feedback.

Figure Appendix IV: Sunlover S.A.'s Industry Map



Source: Own Representation

Appendix V: The VRIO Framework

Valuable?	Rare?	Costly to imitate?	Organized?	Competitive Implication
YES	NO	NO	NO	<i>Disadvantage</i>
YES	YES	NO	NO	<i>Parity</i>
YES	YES	YES	NO	<i>Temporary Advantage</i>
YES	YES	YES	YES	<i>Sustained Competitive Advantage</i>

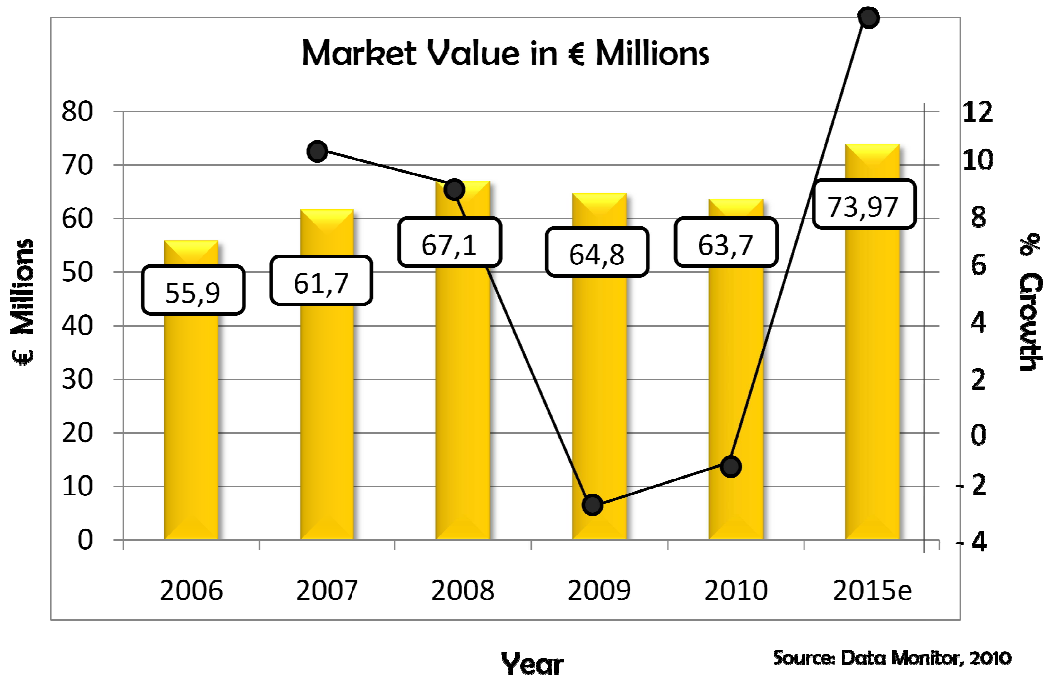
Source: Barney, Jay B and Hesterly, William S. 2005. *Strategic Management and Competitive Advantage: Concepts*. New Jersey: Pearson Education.

Appendix VI: External Scanning of the Portuguese Market

a) The Market in Portugal

Sunloveris a nutricosmetic drink and belongs to the segment of functional drinks which is a subcategory of the soft drink market. In 2010, functional drinks in Portugal generated total revenues of \$84.4 million stating a CAGR of 3.3% between 2006 and 2010. Until 2015, the market value is forecasted to increase by 16.1% leading to a market value of \$98 million. This represents an expected CAGR 3% in the period from 2011 to 2015. However, in 2009 and 2010 the market has shrank by 3.4 and 1.7%, respectively (Data Monitor, 2011).

Figure Appendix VI: Market Value



The market can be divided into three segments: energy drinks, sport drinks and nutriceutical drinks. In Portugal, the most profitable segment is the energy drinks segment with a market share of 68.4%; followed by nutriceutical drinks and sport drinks accounting for 19% and 12.6%, respectively (Data Monitor, 2011).

The leading player of the market is Red Bull GmbH with a market share of 13%. The two other major players are the Coca Cola Company and Nutrition & Sante SA holding 7.2 and 5% of the market, respectively. The remaining 74.2% of the market is shared by smaller firms (Data Monitor, 2011).

Nutricosmetic combines the words nutrition and cosmetic and nutricosmetic drinks are defined as drinks providing beautification or personal/hygienic benefits. The global nutricosmetic industry is forecasted to reach a market value of US\$4.24 billion in 2017. The main drivers of the industry are the megatrend “beauty and wellness”, its shift from treatment to prevention and the increasing focus for personal care (Global Industry Analysts, 2011).

b) Sunlover S.A.’s Competitors

In order to define Sunlover S.A.’s competitors, different perspectives can be taken. Sunlover is a healthy lifestyle drink with zero calories that tans and nourishes the skin. From the lifestyle drinks perspective Sunlover competes with Red Bull and Slow Cow, for instance. Besides that, Sunlover competes with healthy drinks enriched with vitamins and anti-oxidants like MonaVieor and drinks with zero calories like Coca Cola light as competitors. Sunlover’s most remarkable characteristic is the tanning function and thus Sunlover S.A. as well competes with product providing a similar tanning effect to the skin. There is no comparable drink on the market which provides the same effect as Sunlover. However, indirect competitors are tanning pills like Innéov (L’Oreal and Nestlé), OenobiolSolaire, Ever-fit Dermo, carrot juices containing beta carotene like Santal, and carrots, tanning oil from Loréal and PizBun, self-tanning lotions, and the sun itself, for instance.

Figure Appendix IV: Sunlover's Competitors



Source: Own representation

Figure Appendix IV: Positioning Map: Sunlover in Comparison to its Competitors



Source: Own representation

c) Porter's Five Forces of the Portuguese Functional Drinks Market

In the following, Porter's five forces are related to the functional drink industry in general and then to Sunlover specifically. Porter explains the attractiveness of an industry by five competitive forces. Attractiveness refers to the industry's profitability. The five competitive forces that determine profitability are threat of new entrants, power of suppliers and buyers, competition and threat of substitutes (Porter, 2008).

Threat of Entry. The functional drink market in Portugal is growing in terms of value sales which might attract new entrants. Companies can enter the market either as a small start-up or as an existing company diversifying into the market. However, while a soft drink company might have the capability to penetrate the market successfully since it has the experience, can profit from economies of scale and has a similar business model, other existing companies and small start-up might have difficulties to raise the needed capital for huge advertisement expenditure and for the research and development investments for a new functional drink. In general, the threat of entry can be evaluated as moderate. In the case of Sunlover, the threat of new entrants is also moderate due the massive marketing expenditure, the trade secret of the recipe and the access to various distribution channels. While an existing company of the soft drink industry might have the expertise and the capital to enter the market, a small start-up would have higher barriers to overcome.

The Power of Suppliers. The suppliers in the functional drink industry are those entities who supply the ingredients and the packaging for the drinks. Ingredients could include fruit, milk, caffeine, herbal extracts as well as other ingredients like taurine, vitamins and aspartame for instance. Suppliers of the fresh ingredients usually are farmers and have little power since they are small in size. For ingredients like aspartame, there might be only two suppliers available which might lead to an increase in supplier power. However, since many ingredients can be substituted (like saccharine in the case of aspartame) this power is reduced. Packaging is another key input in this industry and many companies conclude long term

contracts with their suppliers which enforces supplier power. Overall supplier power can be seen as low. In the case of Sunlover S.A., the suppliers of ingredients are the Spanish company which produces the drink and the German company Rexam which is responsible for the production of the cans. Since Sunlover S.A. is dependent on them, does not have many alternatives, and would have high switching costs the supplier power is high in this specific case.

The Power of Buyers. In Portugal, on-trade business represents the most important distribution channel. Buyer power is enforced by the high consolidation in Portugal's retail channels and low switching cost for retailers. However, product differentiation, and consumers' demand for healthy, lifestyle products weakens the buyer power. Overall, the buyer power can be regarded as high. In the case of Sunlover S.A., buyer power in terms of the many small buyers like gyms, hotels, restaurants and cafés is low. However, it is high in respect to the buyer Jerónimo Martins Distribuição. Due to its size, it might exert power and pressure on prices. Since Jerónimo Martins Distribuição is a main buyer, the power of buyers can be regarded as moderate to high in the case of Sunlover S.A..

The Threat of Substitutes. In the functional drink industry substitutes can be regarded as products offering the same nutritional content or a similar effect. The threat of substitutes is moderate depending on the product. In the case of Sunlover S.A., the substitutes are tanning pills with the same nutritional content.

Rivalry among Existing Competitors. The Portuguese functional drink market is highly fragmented. The three major player possess 25.2% of the market and the rest is shared among many smaller players. Competition comes not only from functional drink producers like RedBull, soft drink companies like Coca Cola but also from pharmaceutical companies and small start-ups. In general, the rivalry among the big players in the industry like Coca Cola, Pepsi and RedBull is high and they determine the price of the drinks. In the case of Sunlover, the rivalry is moderate to high since it is faces only indirect competition from other lifestyle drinks.

d) SWOT Analysis: Opportunities and Threats

Opportunities	Threats
<ul style="list-style-type: none">• Market growth• Trend of beauty and wellness• 1st mover in nutricosmetic drink category in international markets• Value of tanned skinned in Western Europe	<ul style="list-style-type: none">• Contraction of Portuguese market• Recession in most EU countries• Entry of new competitors

Appendix VII: The Political, Technological and Environmental Context

Political Context. Germany is a federal parliamentary republic and consists of 16 states. Its capital is Berlin. With almost 82 million habitants it is the most populous member state of the European Union. The German chancellor is Angela Merkel and the president is Joachim Gauck. As Portugal, Germany is a member of the European Union. Since the single market of the European Union allows for the free movement of people, products and services through a standardized system of laws in all member states (European Union, 2011), Sunlover S.A. does not face any trade barriers.

Besides that, the German political system can be regarded as stable. Corruption is low which is shown by the Corruption Perception Index in which Germany ranks 14 out of 183. This index ranks countries in terms of the degree to which corruption is perceived to exist in the misuse of public power for private benefit (Transparency International, 2011). In addition, Germany is a good place to establish a business. According to the Worldbank (2012) Germany achieves place 20 out of 185 in the “Ease of Doing Business” Ranking 2012. This ranking provides measures of business regulations and their enforcement across countries based on the favorability of the environment for conducting business (Worldbank, 2012). However, in Worldbank’s ranking of “Starting a Business” Germany only achieves rank 106 out of 170 due to its high number of procedures (9 procedures) and the time (15 days) to start a business (Worldbank, 2012).

Technological context. Germany has a high level of technological advancement. 83% of the German population has access to the internet and 77 % of population over 10 years uses the internet at least once a day (German Federal Bureau of Statistics, 2012). Since Sunlover SA makes use of a lot of digital marketing, it is important that consumers are connected to the internet.

Environmental context. Germany has a temperate seasonal *climate*. The average duration of sunshine in Germany depends on the region. On average, the sun shines between 1300 and 1900 hours a year (Deutscher Wetterdienst, 2012).

Legal context. In Germany and Europe, a food regulatory definition of functional beverage does not exist. Instead, functional food is regulated by the general food legislation in respect to ingredients, security, labeling and advertisement. In order to provide more consistency and policing in the European Union and to deal with nutritional and health claims, the so-called Health Claim regulation (1924/2006) was published in 2007. Nutritional or health related claims are only allowed if they have been certificated and approved by the European legislative body beforehand. Presently, this has occurred for nutritional claims and is expected to be in force for health claims in 2012/2013. In Germany, the law "Lebensmittel-, Bedarfsgegenstände- und Futtermittelgesetzbuch" (LFGB) regulates the general food legislation. It is consistent with the European Health Claim regulation. In respect to functional food, the paragraphs §11 and §12 of the LFGB determine that a health related statement is only applicable if it is scientifically proven (Bund für Lebensmittelrecht und Lebensmittelkunde, 2012). Since Sunlover has been approved by the European Food Safety Authority (EFSA), it probably will obtain an approval by the German law.

Since January 2003 a compulsory deposit for certain one-way drinks packaging applies in Germany. Every distributor of one-way drinks packaging is obliged to charge the final consumer a compulsory deposit of at least €0.25. In addition, packaging subject to the compulsory deposit must include the so-called "DPG Marking" with a special ink and an article number used exclusively for the German market. Distributors are further obliged to participate in the nation-wide deposit scheme (Deutsche Pfandgesellschaft, 2012).

Sunlover's cans are also subject to this regulation. Therefore, depending on the entry mode choice, Sunlover S.A. might have to engage in additional cost to mark its cans.

Sources:

Deutsche Pfändgesellschaft GmbH (DPG). 2012. Compulsory Deposit. <http://www.dpg-pfandsystem.de/pb/site/dpg/alias/DPGPfandpflicht/Len/Pfandpflicht.html> (accessed December 1, 2012)

Deutscher Wetterdienst. 2012. Weather and Climate in Germany. http://www.dwd.de/bvbw/appmanager/bvbw/dwdwwwDesktop?_nfpb=true&_pageLabel=_dwdwww_wetter_warungen_deutschlandwetter&activePage=&_nfls=false (accessed October 4, 2012)

Bund für Lebensmittelrecht und Lebensmittelkunde. 2012. Functional Food/ Funktionelle Lebensmittel. <http://www.bll.de/themen/anreicherung/> (accessed October 14, 2012)

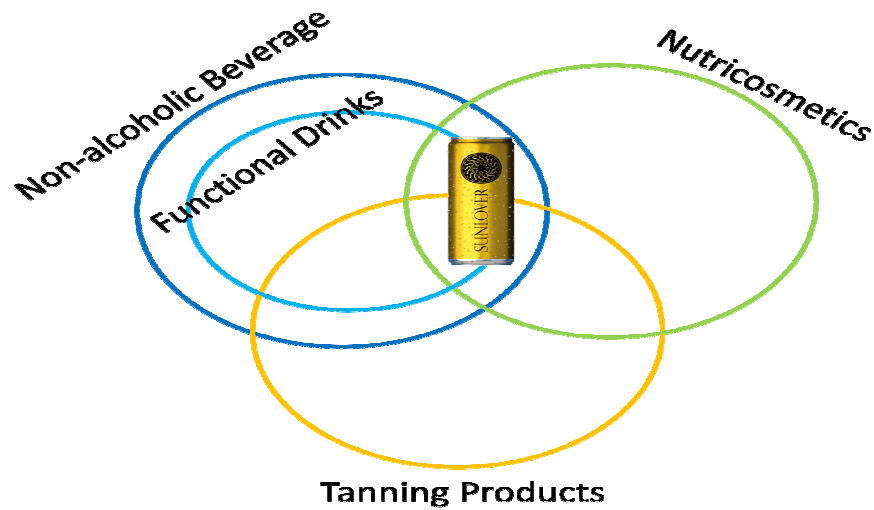
European Union. 2012. Wie funktioniert die EU? http://europa.eu/index_de.htm (accessed October 4, 2012)

German Federal Bureau of Statistics. 2012. Volkswirtschaftliche Gesamtrechnungen Retrieved <https://www.destatis.de/DE/ZahlenFakten/GesamtwirtschaftUmwelt/GesamtwirtschaftUmwelt.html> (accessed October 4, 2012)

The World Bank. 2012. The Ease of Doing Business Ranking. <http://www.doingbusiness.org/data/exploreeconomies/germany/> (accessed October 4, 2012)

Appendix VIII: Sunlover and its Interaction with Several Markets

Figure Appendix VIII: Sunlover and its Interaction with Several Markets



Source: Own Representation

Appendix IX: Positioning Map: Sunlover in Comparison to its Competitor

Figure Appendix X: Positioning Map



Source: Own Representation

Appendix XI: Consumer Research

a) Translation of the Quantitative Consumer Research Survey

1. How attractive do you find ...

	very unattractive	rather unattractive	neutral	rather attractive	very attractive
healthy tanned skin ?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
healthy white skin ?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

2. What do you think is more attractive?

- ☐ healthy tanned skin
☐ healthy white skin

3. How often do you use the following products?

	often	rarely	never
Solarium	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Tanning Pills	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Self tan Lotion	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Tanning Oil	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Carrot Juice	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Tanning Powder	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other <input type="text"/>	<input type="checkbox"/>	<input type="checkbox"/>	

4. What are your associations with the word Sunlover?

5. Look at the following picture



☐ **How attractive do you find the**

	unattractive	rather unattractive	neutral	rather attractive	very attractive
the can in general?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
the colour of the can?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
the design of the can?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
the writing?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
the logo?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

6. Imagine a drink that would

- enhance the tanning process of your skin in the sun
- nourish your skin
- be healthy
- have zero calories

Could you imagine drinking the drink?

- ☐ Yes
- ☐ No

7. Please rank the following characteristics of the just described drink according your preference

Nourishment of the skin

Zero calories

Tanning enhancement

Healthy

8. Where could you imagine drinking this drink? (Multiple answers possible)

- ☐ in a café
- ☐ in a beach bar
- ☐ In a park
- ☐ at home
- ☐ in the garden
- ☐ in the bar
- ☐ in skiing holidays
- ☐ others

9. What would be the reasons not to drink the drink?

10. What lifestyle drinks to you know?

11. How often do you drink the following drinks?

	often	rarely	never
Red Bull Energy Drink	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Bionade	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Club-Mate	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
28 Black	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Monster Energy Drink	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ganic Water	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Carpe Diem Kombucha	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
mySmoothie	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Firefly	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rockstar Energy Drink	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
True Fruit	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

12. Look at the following picture



☐

How similar do you think are the cans in comparison?

	very different	rather different	rather similar	very similar	identical
In general	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The golden color of the can	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The design of the can	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The logo	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

☐

13. What are your associations with the word beta carotene?

☐

14. How would you rate your associations?

	negative	rather negative	neutral	rather positive	positive
associations	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

☐

15. What is your gender?

- ☐ male
☐ female

16. How old are you?

- ☐ < 20
☐ between 20 und 29
☐ between 30 und 39
☐ between 40 und 49
☐ between 50 und 59
☐ > 60

17. Do you smoke?

- ☐ Yes
☐ No

☐

18. Do you have the German citizenship?

☒ Yes

☒ No

☐

19. Do you live in Germany?

☒ Yes

☒ No

b) Entire Survey Results

In order to find out about the consumer behavior in Germany and if Sunlover would provide value to German consumers, a quantitative research was conducted with 100 Germans ranging from the age of 20 to 49. The survey was distributed online via email and facebook. Men represent 52% of the respondents and women 48%. German respondents who indicated currently not to live in Germany were excluded from the evaluation. The survey consisted of three parts. While the first part of the survey aimed at finding out about the consumer behavior regarding the value of tanned skin and the usage of products that enhance tanning, the second part focused on the usage of lifestyle drinks and healthy drinks. In addition, the third part concentrated on how Germans would value Sunlover.

Value of Tanned Skin and Usage of Tanning Products

The first question was concerned with how attractive Germans find healthy tanned skin and healthy white skin. Respondents could answer on a likert scale ranging from very unattractive, rather attractive, neutral, rather attractive, to very attractive. 90% of the respondents find healthy tanned skin rather or very attractive compared to 52% who find healthy white skin rather or very attractive. In the second question 88% evaluated healthy tanned skin more attractive than white skin. Hence, one could assume that tanned skin is valued and attractive for German consumers.

The third question focused on which and how frequent products are used that make the skin looked tanner. Most frequently solarium (38%) is used, followed by self-tan lotion (26%) and tanning oil (24%). Only a few

of the respondents use bronzing powder (16%) and carrot juice (8%). No one indicated to use tanning pills. Thus, tanning pills are probably not very used by German consumers. However, increased indirect competition could arise from solarium and self-tanning lotions.

Lifetsyle and Healthy drinks

The second part of the survey dealt with Sunlover's competition in the lifestyle and healthy drink segment. When asked to state lifestyle drinks, 56% of the respondents named Red Bull and 46% named it on the first place. Hence, in terms of brand recognition the brand Red Bull is "top of mind". Other drinks mentioned were Club Mate and Bionade (each with 14%), Schwarze Dose (10%) and Monster Energy Drink (6%). In the next question, the respondents could choose from a list of lifestyle and healthy drinks and should state how often they consume those drinks. Most frequently the biological lemonade Bionade is consumed among the respondents: 86% of the respondents indicated to drink it often or rarely, followed by Red Bull with 62% and Club Mate with 46%. Other drinks consumed often or rarely by over 20% of the respondents are Carpe Diem Kombucha (26%), MySmoothies (24%) and TrueFruit (22%). The other energy drinks Monster Energy, Schwarze Dose and Rockstar Energy are consumed by less than 20% and the functional water Ganix Water is only consumed by 4%.

Thus, regarding lifestyle and healthy drinks, Sunlover would mainly face competition from the energy drinks Red Bull, Club Mate, Schwarze Dose, and Monster, the healthy lemonades Bionade and Carpe Diem Kombudsch, and the natural fruit juices mysmoothies and truefruit.

Sunlover's Value to German Consumers

When asked if the respondents could imagine drinking a drink with the qualities of Sunlover, 67% could imagine and 33% could not. The respondents valued that the most that drink is healthy, followed by the ability to nourish the skin, the tanning function and finally the zero calories. Regarding the location to drink Sunlover, 59% could imagine to drink it in a beach bar, 41% at home, 38% in ski holidays, 37% in the garden, over 20% in a bar and in a park. Only 10% could imagine drinking it in a café.

Reasons for the respondents not to drink Sunlover would be the perception that the drink includes chemical ingredients, has a high price, has negative health consequences, the disbelief in its tanning and health effect or an unpleasant taste. The associations with the word Sunlover were mainly positive entailing words like sun, holidays, tanned skin, sunbather, fun, ocean, and love. Regarding the attractiveness of the appearance of the can, 64% rated the can in general as rather attractive or very attractive. While the color of the can was found rather or very attractive by 72%, the design was evaluated as rather or very attractive by 52%. Hence, the can's overall appearance is regarded as attractive by the majority of the respondents. The survey results indicate that Sunlover could provide additional value to German consumers. Sunlover's characteristics as well as outward appearance were generally evaluated as positive. A remarkable insight was the fact that Sunlover is healthy and nourish the skin is regarded as more important than the tanning support.

On the German market, there is one other drink which is sold in a golden can. It is a prosecco called RICH. In order to find out if there could be the possibility that consumers would confused the two cans, pictures of both cans were showed to the respondents and it was asked how similar they rate the both cans in general and in respect to the golden color and the design. In general, 58% evaluated the can to be rather different or very different. In respect to the golden color and the design, 78 % and 76%, respectively, found it rather or very different. Hence, the possibility that German consumers would interchange those two cans is rather improbable.

Limitations

Many respondents (67%) were between 20 and 29 years old and hence the survey might especially show the opinions of this age group. Besides that, most of the respondents (82%) were reached via facebook and were acquaintances of myself or of my facebook friend. Thus, many respondents might be connected with each other and there is the risk that the survey reveals only the opinions of this connected group or from many respondents that initially come from the same region.

c) The Taste Test

In order to find out if German would like the taste of Sunlover, a taste test with 30 Germans ranging from 23 to 27 years old was conducted. Each respondent was tested by himself without other respondents. The respondent and the administrator (me) sat together at a table and the drink Sunlover was served in a glass.

After the respondent had tasted the product, the following questionnaire was distributed.

1. Visual Appeal

What does it look like? Does it look like something you would like to taste?

How would you rate the visual appearance of the product?

	very bad	bad	rather bad	neutral	rather good	good	very good
Visual Appearance	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Description/Recommendations

2. Aroma

What is the smell of the product ? Does it smell appealing? Does the smell make you want to drink the product?

How would you rate the aroma of the product?

	very bad	bad	rather bad	neutral	rather good	good	very good
Aroma	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Description/Recommendations

3. Taste

Does it taste good? Is it fresh? Something you would like to eat again? Sweet? Fruity?

How would you rate the taste of the product?

	very bad	bad	rather bad	neutral	rather good	good	very good
Taste	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Description/Recommendations

4. Overall

Taking everything above into account. What is your overall impression of the product?

	very bad	bad	rather bad	neutral	rather good	good	very good
Overall	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

What is your gender?

☐ Male

☐ Female

What is your age?

☒ <20

☐ between 20 and 29

☐ between 30 and 39

☐ between 40 and 49

☐ between 50 and 59

☐ >60

Results

Overall the product was evaluated as rather good or good by 70% of the respondents. The majority (60%) evaluated Sunlover's taste as good or rather good. However, 73% commented that the drinks lacks carbon dioxide. The drink's aroma was mainly assessed as neutral by 80% of the respondents. Only 30% evaluated the visual appearance of the drink as rather good or good. Most of the respondents (77%) found Sunlover's color too artificially orange.

Limitations

Limitations of the survey are that all the respondents were between 23 and 27 years old, revealing only the opinion from a certain age group. In addition, all respondents do currently not live in Germany which might distort the results to some extent. Moreover, most of the respondents were personal acquaintances of me.

Appendix XI: Can Manufacturing Plants in Europe

Country	Can Manufacturer	Plant	No. of lines	Material
Austria	Rexam	Enzesfeld	2	A
	Rexam	Ludesch	3	A
Czech Republic	Rexam	Ejpvovice	1	A
Denkmark	Rexam	Friedericia	2	A
France	Ball Packaging Euope	Bierne	3	S
	Ball Packaging Euope	La Ciotat	2	A
	Crown BevCan EMEA	Custines	1	S
Germany	Ball Packaging Euope	Weißenthurm	3	S
	Ball Packaging Euope	Haßloch	2	S
	Ball Packaging Euope	Hermsdorf	2	A
	Rexam	Belrin	3	A
	Rexam	Gelsenkirchen	3	A
	Rexam	Recklinghausen	3	A
Greece	Crown BevCan EMEA	Patras	2	A
	Crown BevCan EMEA	Corinth	2	A
Italy	Rexam	Nogara	2	A
	Rexam	San Martino	1	A
	Tubettifico	Lecco	1	A
Netherlands	Ball Packaging Euope	Oss	2	A
Poland	Ball Packaging Euope	Radomka	2	A
	Can-Pack	Brzesko	4	A
	Can-Pack	Bydgoszcz	2	A
Romania	Can-Pack	Bucharest	1	A
Russia	Rexam	Naro Fominsk	4	A
	Rexam	Vsevologhsk	2	A
	Rexam	Argayash	1	A
	Can-Pack	Volokolamsk	1	A
Serbia	Ball Packaging Euope	Belgrade	1	A
Slovakia	Crown BevCan EMEA	Kechnec	2	A
Spain	Crown BevCan EMEA	Agoncillio	3	S
	Crown BevCan EMEA	Seville	2	S
	Rexam	Valdemorillo	3	S
	Rexam	La Selva	3	S
	Rexam	La Selva	1	A
Sweden	Rexam	Malmö	4	A
Turkey	Crown BevCan EMEA	Izmit	2	A
	Crown BevCan EMEA	Osmaniye	1	A
	Rexam	Manisa	2	A
UK	Ball Packaging Euope	Whrexham	4	A
	Ball Packaging Euope	Rugby	2	S
	Can-Pack	Scunthorpe	1	A
	Crown BevCan EMEA	Leicester	2	A
	Crown BevCan EMEA	Carlisle	5	A

	Rexam	Milton Keynes	3	A
	Rexam	Wakefield	3	A
Ukraine	Can-Pack	Kiev	1	A



Source: Beverage Can Makers Europe (BCME). 2011. European Can Market Report 2011.
<http://clients.digipage.co.uk/?userpath=00000001/00000004/00078527> (accessed September 29, 2012)

Appendix XII: Business Etiquette in Germany

Relationships & Communications

- Germans do not require a personal relationship in order to do business.
- They will be interested in your academic credentials and the amount of time your company has been in business.
- Germans show great respect to people in authority, so it is important that they understand your level relative to their own.
- German communication is formal.
- It is crucial to build and maintain business relationships.
- As a group, Germans do not trust exaggerations and promises that sound too good to be true, or public showing of emotions.
- Germans will be direct to the point.
- Expect a great deal of written communication, both to back up decisions and to maintain a record of decisions and discussions.

Business Meeting Etiquette

- Appointments are mandatory and should be made 1 to 2 weeks in advance.
- Punctuality is taken extremely seriously. If you expect to be delayed, telephone immediately and offer an explanation. It is extremely rude to cancel a meeting at the last minute and it could jeopardize your business relationship.
- Meetings are generally formal.
- Meetings adhere to strict agendas, including starting and ending times.

Business Negotiation.

- Germany is heavily regulated and extremely bureaucratic.
- Germans prefer to get down to business and only engage in the briefest of small talk. They will be interested in your credentials.
- Contracts are strictly followed.
- Germans are detail-oriented and want to understand every detail before concluding an agreement.
- Avoid confrontational behavior or high- pressure tactics. It can be counterproductive.
- Once a decision is made, it will not be changed.

Source: Kwintessentials. 2012. Germany – Languages, Culture Customs and Business Etiquette, <http://www.kwintessential.co.uk/resources/global-etiquette/germany-country-profile.html> (accessed December, 17, 2012)

Appendix XIII : Agreement Content and Terms

- the licensing package components – a description of the right to be transferred
- payment terms
- obligation of both parties in the arrangement
- restrictions
- intellectual property protection obligations
- performance clauses
- grant back rights to technology
- exclusive or non-exclusive rights to territories
- duration of the agreement
- dispute settling arrangement

Source: Welch et al (2008) Welch et al (2007). Foreign Operation Methods: Theory, Analysis, Strategy. Edward Elgar Publishing

Appendix XIV: Advertisement Cost, Trade Magazines, Trade Show Fees

a) Example of Advertisement Cost for the trade magazine “Getränke! Technologie & Marketing”

Size of the Advertisement	Black&White	In Color
1/8 Page	€595	€895
¼ Page	€1165	€1665
1/3 Page	€1380	€2280
Junior Page	€2205	€3225
½ Page	€2000	€3050
2/3 Page	-	€4065
1 Page	€3790	€5140
2 Pages	€5775	€7575

Publishing Dates 2013: 25.03.; 21.05.; 15.07; 06.09.; 15.11

Printed Copies per edition: 9280 copies

Source: Infomaterial send by Thomas Mlynarik, Director of Marketing and Sales. Contact: Dr. Hamisch Verlags GmbH, Blumenstr. 15, 90402 Nürnberg. Tel: +49.(0)911.2018.165, mlynarik@hamisch.com

b) Other Trade Magazines

Magazine	Publishing Dates/Printed Copies	Contact for Ads
Getränke Fachzeitung	Every 14 days/ 1206	Susanne Kleber: +496321-890866
Getränkefachgroßhandel	Every month/15007	Helga Reiß: +4982619 993 32
Getränke Industrie	Every months/9313	Sabine Berchtenbreiter +4982619 99-338
Wellness Foods Europe	3 times a year/6016	Benno Keller: +4991120 18 - 200

Source: Fachzeitung. 2012. Suche nach Getränke. <http://www.fachzeitungen.de/seite/p/search/begriff/Getr%E4nke> (accessed December, 19, 2012)

c) Trade Shows Examples

Trade Show	Date	Location	Price
drinktec	16-20.09.	Munich	a) Participation fee: €350 b) Stand Prices per m ² , minum of 20m ² required: €199 - 232
Food Ingredients Europe & Natural Ingredients	19 -21.09.	Frankfurt	Not available. Sales contact: Mr. Julien Bonvallet, Tel: + 31 (0)20 40 99 544 Email: Julien.Bonvallet@ubm.com

Appendix XV: Weaknesses and Limitations of the Work Project

Weaknesses and Limitations of the Work Project

One limitation of the work project is the limited amount of information disclosed by Sunlover S.A. Since almost no information about financial was given, it was impossible to do a proper value chain analysis and analyze Sunlover S.A.'s cost and profits. Another limitation includes the consumer research which was conducted by me. Most of the respondents belong to the age group between 20 to 29 years and hence the results might be biased to the opinions of this certain age group. Besides that, the respondents of the quantitative research were mostly acquaintances of me or friends of my facebook friends. This bears the risk that the results show the perspective of a certain social group and/or from a certain region.

Besides that, it was difficult to give a realistic implementation plan of the licensing entry mode since the licensing process is dependent on many variables which cannot be predicted at the moment, such as the time to find an appropriate licensee, the contract terms which might fit to the licensee and hence the amount of royalty which will be generated etc.